FALL 1990

VOLUME 4

Teachers' Pension Plan Board

Ontario

Conseil du régime de retraite des enseignantes et des enseignants

EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

[EQ]UAL REPRESENTATION ON COMMITTEES

Three committees have been formed to review and advise the board on investment matters, appeals from plan members and audit and actuarial matters. An equal number of teacher and government representatives sit on each committee.

INVESTMENT COMMITTEE

The investment committee works closely with the chief executive officer and director of investments to determine the long-term asset mix policy, review the overall performance of the fund, and select and evaluate external fund managers.

Chaired by Ted Medland, former chief executive officer of Wood Gundy, the committee consists of all eight board members, as well as Martin Hicks and Gary Porter, investment consultants appointed on the recommendation of the OTF.

AUDIT AND ACTUARIAL COMMITTEE

This committee deals with audit and actuarial matters which affect the pension board or the plan. The committee's first major task is to oversee the initial valuation of the pension fund, which is being carried out by William Mercer Ltd, the pension board's actuary. On the committee are four board members: John Clarry, Gail Cook-Bennett, Doug McAndless (chairperson) and Lynne Sullivan.

BENEFITS ADJUDICATION COMMITTEE

The benefits adjudication committee, chaired by Duncan Green, continues the process of appeals by members against decisions made by pension board staff. The committee is a quasi-judicial body, hearing appeals in both English and French on matters such as transfers, refunds, purchasing additional credited service and survivor benefits. Eleven of the committee members were drawn from outside the board, six of them nominated by OTF and STO. Eight are former commissioners.

Gerald Armstrong, OSSTF, former commissioner

Jim Causley, executive director of the Superannuated Teachers of Ontario and former director of the Commission

Duncan Green, retired, former director of the Toronto Board of Education

Susan Hildreth, FWTAO, former commissioner

David Kennedy, retired, former commissioner

Sherry Malloy, associate director of the Ontario Municipal Employees' Retirement System

Ethel McLellan, retired, former commissioner

David Paton, retired , former comptroller of finance, Toronto Board of Education

Ron Poste, OPSTF, former commissioner and chairperson

Raymond Prevost, director of the Caisse Populaire St-Jean de Brébeuf (Sudbury)

Roger Regimbal, AEFO, former commissioner

George Saranchuk, OECTA, former commissioner

Members of the board: *from left to right, seated,* John Clarry, Margaret Wilson, Gerald Bouey, Claude Lamoureux (chief executive officer), Lynne Sullivan, *standing*, Ted Medland, Duncan Green, Doug McAndless. Absent is Gail Cook-Bennett.

FINE-TUNING FOR PENSION ACT

After the first few months of working with the new *Teachers' Pension Act, 1989*, the government, in consultation with the OTF and the pension board, prepared 21 amendments to the act. All amendments were passed by cabinet in June.

REFUND OF EXCESS CONTRIBUTIONS BASED ON LOWEST EARNINGS

Pension contributions are no longer required for night or summer school teaching if you also teach full time. If you teach for different employers, don't forget to ask your night or summer school employer not to make the deduction.

You may choose to contribute if your night or summer school rate of pay is higher than your regular rate of pay. Your annual pensionable salary would still be based on a maximum of a full school year's earnings but would include your higher night or summer school earnings. You'd then get a refund of excess contributions based on your lower full-time earnings.

If you taught full time plus night or summer school any time after 1 January 1990, you are entitled to a refund of the excess contributions. Interest will be paid at the standard rate (currently 11%) from the end of the school year until the date the refund is paid. You'll receive your refund in late 1991 when we have received the report of your 1990 earnings from your employer.

NEW DEADLINE FOR RELIGIOUS HOLIDAYS PAYMENT

The rules for buying additional credited service for religious holidays were brought in line with the 1992 rules for other types of absences from teaching.

Previously, the deadline for paying the full amount with no interest was one month after the absence, and the cost was double your contributions. Now you have one year to apply for the credit and a further two years to pay for it. The cost will be your normal contributions plus interest.

DATE CORRECTED TO ENSURE NO LOSS OF INTEREST

The date government payments are made to the pension board was changed from 1 January to the next business day.

Without the change, the pension board would lose interest every year between the due date – a holiday – and the first available business day. Still under consideration by the government is the question of interest for 1 January 1990.

OTHER AMENDMENTS...

- If you pay for only part of your purchase for additional credited service, the credit you receive will be proportionate to the payment you made.
- If you retire before the end of the school year, the salary earned during that year will count towards your "best five" average salary. The partial year will be topped up to a full year by taking a portion of your sixth highest year's salary.
- If you're on LTIP, you can continue as a member of the plan even though you may no longer be employed by a school board.
- If you're eligible for a deferred pension and return to teaching for more than 20 days in a school year, you'll receive only annualized credit. Previously, teachers could work 20.5 days and get a year's annualized service as well as pension escalation for that year and previous years.
- A survivor pension can be paid to the spouse of a disabled pensioner who married after the onset of the disability.
- The government can designate private schools which are no longer open, enabling you to purchase additional credited service for any time you taught at these schools (the application deadline is 31 December 1991).

  Two schools have been designated since this amendment was implemented. They are Pensionnat externat du sacre-cœur, in Ottawa, and Juvenat du sacre-cœur, in Cornwall.
- The pension board will pay interest on any survivor benefits not paid to your survivor on time.

TELL US YOUR SIN

Don't forget to give us your social insurance number whenever you write or call.

HOW CHANGES ARE MADE

- **Changes to the Teachers' Pension Plan are made by cabinet through an Order-in-Council.**
- **After discussion with the relevant bodies (e.g. pension board, OTF), the Ministry of Education prepares the text of the changes.**
- **45 days' notice of any intended change must be given to the OTF and its affiliates. The amendments may also be reviewed by the Ministry of Treasury and Economics, Human Resources Secretariat, and the Pension Commission of Ontario.**
- **If there are no changes during the 45-day period, the amendments are implemented by an Order-in-Council.**
- **A change to any of the amendments requires that the whole document go through an additional 45-day waiting period.**

BOUEY OUTLINES INVESTMENT STRATEGY

At the OTF annual meeting in August, Gerald Bouey outlined the board's investment plans for diversification beyond the money market. Bouey, chairperson of the pension board, also announced that the board has developed a policy for excluding companies with investments in South Africa.

Diversification strategy

"Since the whole of the assets of the pension fund are now invested in fixed-income securities, the board will want to have the capacity to diversify into the equity markets as well as real estate. Also, we will want to be able to invest outside Canada," he said.

"The quickest way of entering the equity market on any scale is to invest in index funds. They involve the lowest fees of any equity investment instrument and are easily integrated into future investment strategies.

"For other equity investments there is the possibility of engaging investment management firms and/or doing the job in-house. Given the potential total size of the fees that would have to be paid to external fund managers and the fact that we can develop an excellent capability of our own, most of this activity will eventually be done in-house."

Balanced mix is long-term goal

It will take some years to achieve a diversified portfolio of investments, even if new funds were invested solely in equities, as the majority of the funds assets are held in debentures with maturity dates ranging from 1991 to 2012.

As Bouey pointed out, "In the meantime, it will be difficult to compare the overall performance of our fund with that of pension funds that already have a more balanced asset mix."

The pension board does, however, intend to compare the performance of its new investments with those of other pension funds. It will also develop a system for assessing the performance of internal and external fund managers.

Stock markets are volatile

Bouey stressed that stock markets, unlike debentures, are volatile, and he warned members to recognize that "performance measured over the short term may, from time to time, appear quite disappointing. It is essential, however, to keep one's eye on the long run, and the time horizon for a fund like ours is very long indeed."

GEARING UP FOR ACTION: INVESTMENT SPECIALISTS APPOINTED

The pension board's new investment department will be headed by Robert Bertram, assistant vice-president and treasurer of Alberta Government Telephones. Bertram was chosen for his investment management experience acquired during his 18 years at AGT. He will start at the pension board on 22 October.

Canada Trust has been chosen as the fund's custodian. As well as providing safekeeping services for fund assets, Canada Trust will act as our agent in buying and selling securities, receiving and tracking dividends, interest and maturities, and generally recording, reporting, controlling and monitoring the investments.

LEAVING TEACHING?

You've decided to leave teaching for another profession, or perhaps you're just going to teach in another province. What do you do about your pension benefits?

The options open to you depend on whether your benefits are vested in the plan and what type of pension plan is offered by your new employer. Other important factors to consider are your length of service and your long-term career plans.

If your benefits are vested in the plan (your latest annual statement will tell you whether they are), you are entitled to a deferred pension based on your salary and service. The first option, then, is to leave your benefits in the plan. This gives you a deferred pension and allows you to build on your pension any time you go back to teaching in Ontario.

Going to teach in another province or work elsewhere in the public sector? We have reciprocal agreements with most major plans so you can transfer your service and receive comparable benefits when you retire. You may also be able to transfer back if you return to teaching in Ontario.

What if your new employer isn't covered by an agreement or doesn't have a pension plan? Again, you can leave your benefits in the plan, or you may be able to transfer the commuted value of your pension to a locked-in RRSP or to a life annuity. Be sure to consider all the implications before deciding to transfer– see "Ask us a question" on page five for more information.

Finally, if you leave teaching with less than two years' annualized service, or before you're 45, you may be entitled to a refund of some or all of your contributions. If you're likely to return to teaching some time in the future, it is important to realize you may not be able to repay your refund and restore your credited service.

When you resign, we'll send you a termination statement outlining your personal options.

KEEPING YOU INFORMED

■ Your 1990 annual statement, showing your accumulated service up until December 1989 and the annual pension it would generate at age 65, was sent to you in September. If you have any questions about the information on your statement, or if you didn't receive a statement, contact us or leave us a message on Phone-A-Memo.

■ Are you within five years of retirement? Watch for your 1990 retirement income projection statement in December. The statement will project your estimated pension at different ages to help you decide on the best time to retire.

■ Confused about how the new rules in 1992 will affect your plans to buy additional credited service? In December, we'll send you a brochure outlining the new options as well as the deadlines and eligibility and cost requirements. We'll also send your personal statement of contributions so you can identify any gaps in your credited service.

CHRISTMAS HOURS

Our office will be closed on the following days:

Monday, December 24
Tuesday, December 25
Wednesday, December 26
Tuesday, January 1

We will remain open on Friday October 12 and Friday November 16 until 4.45pm.

SURVIVOR BENEFITS

You may be wondering what happens to the money you've paid towards your pension if you die before you retire. In essence, your eligible spouse, dependent children or named beneficiary are entitled to lifetime survivor benefits based on your salary and credited service.

WHO IS ELIGIBLE?

A spouse includes a person to whom you are legally married or a person of the opposite sex with whom you have had a common-law relationship for at least three years. To be eligible, your spouse must be living with you at the time of your death.

Children are considered dependent until the age of 18, or 25 as long as they are attending a school or university full time. Disabled children are eligible as long as their disability continues. Dependent children qualify for survivor benefits only if you don't have an eligible spouse. In the case of more than one dependent child, the benefits will be shared equally among them.

If you have no eligible spouse or dependent children, you may be able to designate another person as a beneficiary. Other-wise, the benefit will go to your estate.

WHAT WILL THEY GET?

The rules are complex, but you can get an idea of the type of benefit your survivor might receive by checking your years of service against the following table.

Remember, this table is only a rough guide – your survivors will get explicit information about what they are entitled to and how they should apply when they inform us of your death.

Survivor	Marital Status	Years of credited service	Benefit for pre-87 service +	Benefit for post-86 service
spouse	married	10 or more	50% pension to spouse	choice* of a) immediate or deferred pension b) lump-sum commuted value
spouse	married	2 or more	refund to spouse	choice* of a) immediate or deferred pension b) lump-sum commuted value
spouse	married	less than 2	refund to estate	refund to estate
spouse, no children	separated or divorced	2 or more	refund to estate	lump-sum commuted value to estate or beneficiary
spouse, no children	separated or divorced	less than 2	refund to estate	refund to estate
spouse + children	separated	10 or more	pension to children	pension to children
children, no spouse	n/a	10 or more	pension to children	pension to children
children, no spouse	n/a	2 or more	refund to estate	pension to children
children	surviving spouse dies	2 or more	pension continued to children	pension to children, unless lump-sum paid to spouse
beneficiary, no spouse or children	n/a	2 or more	refund to estate	lump-sum commuted value to beneficiary
no survivor	n/a	2 or more	refund to estate	lump-sum commuted value to estate

*Choice must be made within 12 months of member's death; if not, an immediate pension will be paid.

ASK US A QUESTION

After 25 years of teaching, I left the profession in June 1990. I am 47 years' old. I understand I may be entitled to transfer the value of my pension to an RRSP. How much would I be able to transfer? How would it affect my pension if I decided to return to teaching? What are the alternatives?

Ian E., Toronto

As you have already resigned from teaching, you'll receive a statement outlining your options. Basically, your choices are: leave your deferred pension in the plan until you're eligible to start receiving it, transfer your credit to your new employer's plan, or transfer the commuted value of the pension to a locked-in RRSP.

Under the first option, you'd be eligible for an unreduced pension of $21,500 per year when you're 65, plus your CPP pension, or a reduced pension any time between the ages of 55 and 65. Your reduced pension at 55, for example, would be $13,000. Both pensions would be adjusted for inflation.

The second option is open to you if we have or make an agreement with your new employer. The agreement enables you to transfer a similar amount of credit, but the actual pension you receive will depend on the provisions of the plan.

Under the third option, you could transfer a lump sum of $164,000 to a locked-in RRSP, as long as it provided you with a life annuity payable no earlier than age 55.

Which option is best? If you don't return to teaching, the benefit you'll receive in any case will be in a similar form – either a pension or life annuity after the age of 55. As for the actual amount of the benefit, a financial advisor can give you an idea of the type of annuity you could buy under the third option.

When comparing the benefits, keep in mind that very few annuities provide annual adjustments for inflation, so that although the initial payments from an annuity may be higher than those from the pension plan, the real value may decrease in the long term. Teachers' pensions are indexed for life.

If you do return to teaching, transferring your funds to an RRSP could have serious consequences. Let's say you go back to teaching in early 1991 and work full-time until you retire. Without any previous service, you'd be eligible for an unreduced pension of $16,000 no earlier than 65. If you'd left your money in the plan, you'd reach your 90 factor at the age of 56 and would receive a pension of $35,000. That's more than double the pension, nine years earlier.

All these figures are approximate and don't take into account future salary increases or adjustments for inflation.

It is very important to keep in mind that if you break up your pension (in your case, into a transfer now and a smaller pension later), the combined value of the separate parts is much lower than the value of your contributions left in the pension plan throughout your teaching career. This is because the value of your pension benefit grows faster the closer you get to your 90 factor.

You could, of course, buy back the service you transferred out. If you applied within a year of returning to teach, the cost would be the $164,000 you transferred out, plus interest. But if you missed the deadline, the cost would be the actuarial cost of the improvement to your pension and would likely amount to more than twice this amount.

In conclusion, think very carefully about whether there is any real advantage to you transferring your funds. If you decide to transfer your money out of the plan, contact us for an application form. When we've received all the relevant information from you and your employer, we'll calculate the amount you can transfer.

Note: The calculation of commuted value transfers is complex and involves unpredictable factors such as the interest and inflation rates in effect the month you stop teaching. If you're considering resigning and transferring your funds out of the plan, be aware that we can't give you an estimate of the amount until you actually stop teaching, as any estimate before you resign could be very misleading.

You can't transfer if you're 55 or over or have reached your 90 factor.

RETIREMENT PLANNING TIP

Choose a higher survivor pension of 65%, 70% or 75% for your spouse, children or beneficiary now so you don't have to worry about missing the deadline, which is two years before you retire. You can always change your mind later – any time before you actually go on pension – and go back to a 60% or 50% pension. If you don't do anything, your survivor's pension will automatically be 60%.

WHAT WE REALLY MEAN

COMMUTED VALUE
The value of an annual benefit you would receive over a period of time in the future, based on your accumulated credited service, translated into a lump-sum amount in today's dollars. Takes into account projected rates of inflation, interest and mortality.

VESTED
Means you are entitled to either an immediate or a deferred benefit based on your salary and credited service.

DEFERRED PENSION
The pension you are entitled to receive as soon as you meet the age requirement of 55 to 71.

WE'RE COMING TO YOUR AREA

Confused about how all the features of your pension plan fit together? Want to know how to start planning now for financial security in your retirement years? Got a question you'd like to put to a "live" person?

The Ontario Teachers' Federation, in conjunction with the Superannuated Teachers of Ontario, have organized Personal Planning Workshops throughout Ontario. We'll be there to provide you with the latest information and answer your questions.

The workshops are held on weekends (usually 7 to 9 pm on Fridays and 9 am to 4 pm on Saturdays). Our one-hour slide show and presentation will give you an overview of the pension plan. Feel free to ask questions at any time. We'll also have an information booth where you can pick up a copy of our latest publications in either English or French.

Remember, you don't need to be close to retirement age to take part – the earlier you start planning, the more secure you'll feel later on. We can only visit your area once every couple of years, so if we're coming near you this year, don't miss this opportunity. For more information about registration, contact your OTF or affiliate representative. If you can't make it to a workshop, speaking programs offered through your employer provide a similar presentation.

1990/91 WORKSHOPS	
London	Oct. 26/27
Metro Toronto	Nov. 9/10
Nepean	Nov. 23/24
Cobourg	Dec. 7/8
Newmarket	Jan. 25/26
Welland	Feb. 8/9
Hamilton	Feb. 22/23
Sarnia	March 22/23
Timmins	April 12/13
Thessalon	May 10/11

1990 SPEAKING PROGRAM	
Timmins	Oct. 17
Chatham	Nov. 1
Hamilton	Nov. 5
Orillia	Nov. 13
Kitchener	Nov. 28

DON'T FORGET TO SEND US YOUR NEW ADDRESS

All our publications are now sent to you at your home address, including information of personal interest to you, such as your annual statement of benefits. Be sure to keep us informed of any change of address – if we don't know where you are, we can't reach you!

NAME ____________________

SIN ____________________

ADDRESS ____________________

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Exchange is a publication prepared by the Ontario Teachers' Pension Plan Board.
We welcome your comments on this newsletter and suggestions for future issues. Write to us at:

Communications Department
Teachers' Pension Plan Board
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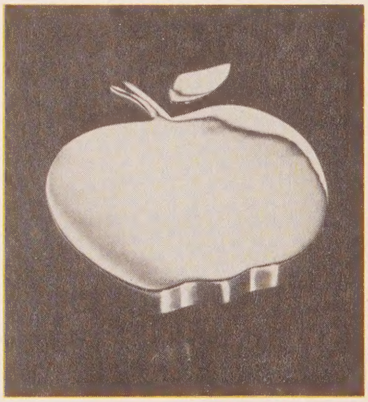
The information contained in this newsletter was accurate at the time of printing.
For further reference, please consult the *Teachers' Pension Act*, 1989.

NEW DIRECTIONS



The *1989 Annual Report – New Directions* was published in June, providing a full account of the pension plan's activities for the year and the transition from the Teachers' Superannuation Commission to the Teachers' Pension Plan Board. Your copy of *Highlights*, a brochure summarizing the report, was sent to you in August. If you'd like to see the full Annual Report, consult the copy that was sent to your school in September or contact us for your own copy.

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